

11/16/61

Mr. Kermit Gordon
Member
Council of Economic Advisors
Executive Office Building
Washington 23, D. C.

Dear Mr. Gordon:

I am enclosing several copies of reports which have been prepared in the Bureau of Labor Statistics on the subjects outlined in your memorandum of October 27 concerning national defense emergencies. The reports cover the points in your memorandum which relate to the responsibilities of the Bureau of Labor Statistics.

In accordance with the understanding reached by Commissioner Clagett and you over the telephone, we are not attempting to produce any new data on a continuous basis, although we are prepared to report twice a week on developments which come to our attention. As indicated in the memorandum on current price developments and consumer buying, the Bureau will collect retail food prices in eight cities this week; next week will be the regular price collection week for the October Consumer Price Index, so that week will be covered. Perhaps by that time the situation can be reviewed to see if this kind of schedule should be continued.

Yours sincerely,

Secretary of Labor

Enclosures
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General files
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Prepared 10/29/61

(11/11/61)
11/11/61

Report on current price developments and consumer buying

Spot Market Prices

The B.L.S. Daily Spot Market Index of prices of 22 basic commodities jumped by 0.8 points (1 percent) on October 23 to 81.3 (1947-49=100). On October 24, it was up by an additional 0.9 points to 82.2. Foodstuffs led the advance with a gain of 2.4 points in two days, while raw industrials rose by only 1 point. Corn, cotton-seed oil, hogs and lard took the largest jump among foodstuffs, and burlap and rubber among industrials. Metals showed the least increase.

On October 25, the index began a decline which continued through October 29, when it was back to 81.0, compared with 80.5 a week earlier. Foodstuffs had lost most of their gain, but raw industrials remained 0.6 points higher. Metal prices, which had moved only slightly higher during the first 3 days of the emergency, jumped 3.6 points on October 26, but lost all of this gain on October 29.

Weekly W.P.I.

The B.L.S. Weekly Index of Wholesale Prices declined slightly (0.1 percent) during the week ended October 23, because of a 0.7 percent drop in prices of farm products (copy of release attached). Prices for this week's index are being collected today and will be analyzed in our next report.

Arrangements are being made with the Department of Agriculture to submit reports directly to the Council on prices of farm products. No current price data are available from the B.D.S.A. or the Interior Department (except certain crude petroleum prices from the Bureau of Mines).

Retail Prices

The B.L.S. has instituted a weekly collection of food prices in 8 cities, primarily in chain stores. Data are being collected for October 29-31, and they will be processed as rapidly as possible. During this pricing activity, as well as in their contacts on regular pricing, our agents also will report on any unusual consumer buying activity and any shortages of supplies in grocery and other stores. We have made no plans to institute a more frequent compilation of the full C.P.I.

As far as we can determine, the B.L.S. is the only source of information on actual average selling prices of new cars, including dealer concessions and discounts. We also are the source for prices of used cars. At present, we do not plan to obtain new and used car prices more often than on our regular monthly schedule. It would be a considerable undertaking to increase the frequency of these price reports.

Imported Primary Commodities

The B.L.S. is developing a special tabulation of prices of imported primary commodities. During the week ended October 23,

copra and crude rubber showed the largest price increases among commodities for which price data were most readily available. They advanced by 3.6 percent and 4.4 percent respectively. Pepper was up by 2.3 percent, but raw sugar declined by 0.6 percent.

Unusual Consumer Buying

Reports from the B.L.S. field staff turned up some evidence of unusual consumer buying. In Boston, one chain store reported a slight increase in purchases of sugar, coffee, metrecal and canned vegetables. Automobile dealers in Boston reported a sudden and sharp decline in sales.

Drug stores in Atlanta reported heavy demand for flashlight batteries, radio batteries, water purification pills, and first aid items. Sales of transistor radios had increased sharply.

In Chicago, the report was that there was little evidence of increased consumer buying. In Austin, Texas, there was considerable buying of large cans of multi-purpose foods and of metrecal. Canned meats, vegetables and juices were sold frequently in \$100 lots in one shopping center.